AR10

ROMAN CORPORATION LIMITED

Report to Shareholders

December 31, 1973

Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Roma0506_1973

OFFICERS

Stephen B. Roman, LL.D.
Chairman & President

John S. Grant, Q.C.
Vice-President

John C. Puhky
Secretary & Treasurer

DIRECTORS

John S. Grant, Q.C.

Lewis B. Harder

George B. Heenan

John Kostuik

Harvey J. McFarland
(deceased, January 10, 1974)

A. Hoadley Mitchell

Charles D. Parmelee

Joseph A. Patrick

Helen E. Roman

Stephen B. Roman, LL.D.

Russell A. Rule

AUDITORS

Coopers & Lybrand
Toronto, Ontario

HEAD OFFICE

4 King Street West
Toronto, Ontario
M5H 1C2

BANKERS

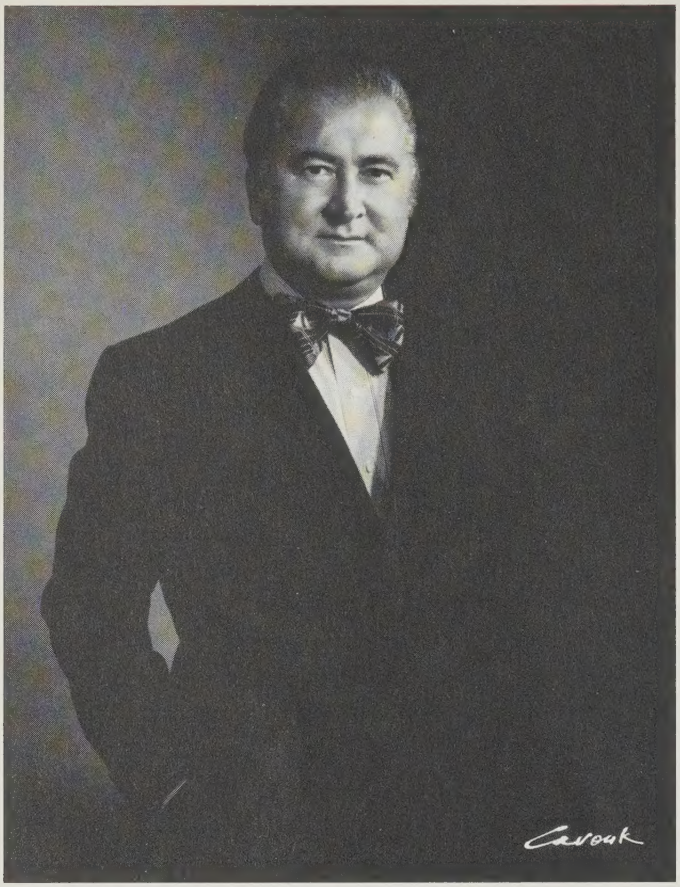
The Royal Bank of Canada
Toronto, Ontario

REGISTRAR & TRANSFER AGENT

Guaranty Trust Company of Canada
Toronto, Ontario

The Officers and Directors of Roman Corporation Limited are pleased to present to the shareholders this Report as of December 31, 1973

PRESIDENT'S REPORT



To the Shareholders:

It is my pleasure, on behalf of your Directors, to submit to you this report for the period ended December 31, 1973.

Since inception, the Company has had a corporate financial year end of June 30, and our Annual Reports have been given as of that date, with the annual meetings traditionally held in the fall of the year. The last Annual Report (our Ninth) was dated September 21, 1973, covering the corporate year which ended June 30, 1973, and our annual meeting was held on October 19 last year.

In December last, the Directors decided to change the corporate year end, for purposes of accounting and reporting to shareholders, from June 30 to December 31 in each year. This had the effect of giving the Company a six-month corporate year which ended December 31, and will explain why you are receiving a further Annual Report within approximately eight months of the Report of last September.

This accounting and reporting change was made by the Directors pursuant to a recommendation issued by the Canadian Institute of Chartered Accountants, and proposed by our auditors, that the Company adopt the equity method of accounting for our investment in Denison Mines Limited and three other companies, two of which are mining companies in the exploration or initial production stages. Our shareholding in Denison Mines is, of course, by far our most important long-term investment.

Denison has a December 31 financial year end and it was desirable and in our best interests, in view of the adoption of the equity method of accounting, that the Company's corporate year end, for all purposes other than tax purposes, be changed to December 31 to coincide with that of Denison. The corporate year, for tax purposes only, will continue to end on June 30.

Simply stated, the significant change in the Company's accounts which results from adoption of the equity method of accounting is that we now include in reported earnings our share of the net earnings of Denison, whereas previously the Company included in earnings only the cash dividends received on our Denison shares. A fuller explanation of the accounting changes is given in the notes to the accompanying financial statements for the six months ended December 31, 1973, and your attention is directed to those notes.

The effect of these accounting changes, as described and reflected in the financial statements and notes, is that net earnings of the Company for the six months since June 30, 1973, and for the twelve months ended December 31, 1972, and December 31, 1973, have increased from the net earnings which were based on including only the cash dividends on the Denison shares.

For the six months ended December 31, 1973, net earnings were $665,412, equivalent to 26 cents per share, giving effect to the new accounting

method. Our shareholding in Denison, at year end, stood at 1,186,749 shares, or 26% of that Company.

For its part, Denison reported a very successful 1973 year in all divisions. Increased earnings were achieved from uranium, oil and gas and industrial components. Consolidated net earnings of Denison after taxes were equal to $2.15 per share compared with a re-stated $1.73 per share for 1972.

In November, Denison announced that it had reached agreement in principle with The Tokyo Electric Power Company Inc. for the sale of 40 million pounds of uranium oxide to be delivered at the rate of 4 million pounds annually from 1984 to 1993. Signing of the formal agreement has taken place on March 29 of this year. Denison is expanding its Elliot Lake plant to process over 7,000 tons of ore daily for 1975 completion, with a resulting 25% increase in uranium oxide production. This will ensure that the uranium operation can efficiently continue to play a major role in the industry.

Your Company continues to hold effective share control of Canadian Malartic Gold Mines and Trinity Chibougamau Mines and a share position in Black Hawk Mining, as well as a reserved 5% royalty on our former leases adjacent to Black Hawk's mine in Maine.

We have taken a participation, to the extent of 25%, in an oil and natural gas drilling program, essentially wild-cat, undertaken by Denison Mines in areas of Western Canada, certain of the United States and off-shore the coast of Spain, with an estimated total budget of some $1.1 million. The first two wells, after testing, were established as non-commercial.

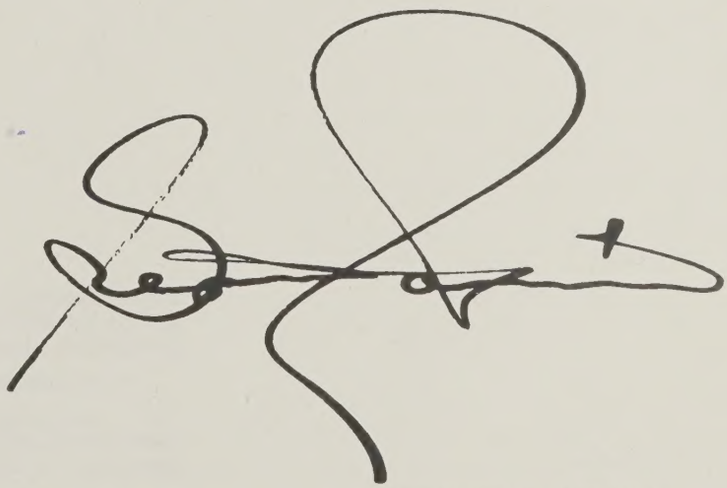
The Company will continue to be as active as possible in the field of natural resource exploration and development, while recognizing and enduring recently enacted or currently proposed legislation of some Provincial Governments which must surely inhibit and adversely affect resource development by the private sector. This must also spur our intentions to diversify our activities when the proper opportunities are present.

In these times of increasing governmental involvement in areas of the economy traditionally occupied by private industry, we must restate strongly our real concern about the erosion of the principles of free enterprise and individual responsibility. We, in this country, must not reach the point where social assistance and welfare programs, meritorious as some may be, operate at the risk of loss or any further impairment of the initiative of the self-reliant, venturesome and ambitious individuals whose efforts have made Canada the envy of other nations.

On January 10 of this year, we suffered a great loss through the unexpected death of Harvey J. McFarland, a close friend and a valued member of the Board of Directors. Mr. McFarland had been a Director since inception of the Company and although extremely active in business, political and social circles, he gave unselfishly of himself, his time and his experience to the Company. He will be sorely missed by the Directors.

The Directors are grateful to our shareholders for their encouragement and support of the Board's policies and beliefs and we will continue to direct our efforts, in our way, towards maintaining and improving the quality of life in this great country.

On behalf of the Board of Directors.



STEPHEN B. ROMAN
Chairman and President

Toronto, Ontario,
April 25, 1974.

ROMAN CORPORATION LIMITED

BALANCE SHEET

ASSETS

	December 31, 1973	June 30, 1973
	$	$
CURRENT ASSETS		
Cash	77,606	12,422
Marketable securities — at quoted value	355,975	453,113
Accounts receivable and prepaid expenses	75,574	86,079
Income taxes recoverable	3,750	11,076
	512,905	562,690
SHARES IN OTHER COMPANIES HELD FOR INVESTMENT (note 2)	24,358,271	23,213,056
OFFICE FURNISHINGS AND LEASEHOLD IMPROVEMENTS — at cost, less accumulated depreciation of $426,999 (June 30, — $432,573)	48,342	35,252
OTHER ASSETS		
Mining properties — at cost	1	1
Deposits with provincial governments	31,478	31,478
Life insurance — cash surrender value	129,547	124,705
	161,026	156,184
	25,080,544	23,967,182

AUDITORS' REPORT

We have examined the balance sheet of Roman Corporation Limited as at Decemb
for the six months then ended. Our examination included a general review of the accou
considered necessary in the circumstances.

In December 1973, the company adopted the equity method of accounting for inve

In our opinion these financial statements present fairly the financial position of t
use of its funds for the six months then ended, in accordance with generally accepte
described in note 1 to the financial statements, have been consistently applied.

Toronto, Ontario,
March 14, 1974.

LIABILITIES

	December 31, 1973	June 30, 1973
	$	$
CURRENT LIABILITIES		
Bank demand loan (note 3)	350,000	430,000
Accounts payable and accrued liabilities	72,745	58,637
	422,745	488,637
BANK DEMAND LOAN (note 3)	7,297,787	6,783,945
	7,720,532	7,272,582

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized —		
5,000,000 shares without par value		
Issued —		
2,613,000 shares	3,806,777	3,806,777
CONTRIBUTED SURPLUS	280,598	280,598
RETAINED EARNINGS	13,272,637	12,607,225
	17,360,012	16,694,600
	25,080,544	23,967,182

SIGNED ON BEHALF OF THE BOARD

JOHN S. GRANT, Director

R. A. RULE, Director

THE SHAREHOLDERS

1973 and the statements of earnings, retained earnings and source and use of funds procedures and such tests of accounting records and other supporting evidence as we

ts in principal affiliated companies as explained in note 1 to the financial statements.

mpany as at December 31, 1973 and the results of its operations and the source and ounting principles which, after giving retroactive effect to the change in accounting

COOPERS & LYBRAND,
Chartered Accountants.

ROMAN CORPORATION
LIMITED

STATEMENT OF RETAINED EARNINGS
For the Six Months Ended December 31, 1973

	Six months ended December 31, 1973	Twelve months ended December 31, 1973	Twelve months ended December 31, 1972
BALANCE — BEGINNING OF PERIOD	$	$	$
As previously stated	10,620,475	10,092,457	9,019,762
Adjustment of prior years' earnings to reflect the share of income determined by the equity method and adjustments for write-off of deferred exploration expense and amortization of purchase discrepancy (note 1)	1,986,750	1,642,632	1,280,123
As restated	12,607,225	11,735,089	10,299,885
NET EARNINGS FOR THE PERIOD	665,412	1,537,548	1,435,204
BALANCE — END OF PERIOD	13,272,637	13,272,637	11,735,089

STATEMENT OF EARNINGS
For the Six Months Ended December 31, 1973

	Six months ended December 31, 1973	Twelve months ended December 31, 1973	Twelve months ended December 31, 1972
INCOME	$	$	$
Revenue from investments —			
Share of income determined by the equity method (note 1)	1,193,654	2,329,446	1,846,823
Other investment income	12,473	22,111	11,565
Gain (loss) from security transactions	(173,137)	(187,708)	106,433
Services and rent	103,801	218,013	224,554
	1,136,791	2,381,862	2,189,375
OPERATING EXPENSES			
Interest	320,261	568,438	499,437
Office rent and administration	141,577	255,280	232,947
Depreciation	6,628	11,608	14,908
Exploration expenditures	2,913	8,988	6,879
	471,379	844,314	754,171
NET EARNINGS FOR THE PERIOD (note 1)	665,412	1,537,548	1,435,204
NET EARNINGS PER SHARE (note 1)	$0.26	$0.59	$0.55

STATEMENT OF SOURCE AND USE OF FUNDS
For the Six Months Ended December 31, 1973

	Six months ended December 31, 1973	Twelve months ended December 31, 1973	Twelve months ended December 31, 1972
SOURCE OF FUNDS			
Current operations —	$	$	$
Net earnings for the period	665,412	1,537,548	1,435,204
Adjustment for items which did not require working capital in the period —			
Depreciation	6,628	11,608	14,908
Investment written off	75,999	75,999	—
Mining properties abandoned	—	5,653	633
Share of income determined by the equity method, less dividends received	(375,696)	(687,302)	(351,772)
	372,343	943,506	1,098,973
Increase in bank demand loan	513,842	—	—
	886,185	943,506	1,098,973
USE OF FUNDS			
Purchase of shares for investment	848,290	848,290	525,291
Additions to fixed assets	16,946	17,391	2,182
Reduction of bank demand loan	—	77,186	514,524
Acquisition of other assets	4,842	8,331	11,447
	870,078	951,198	1,053,444
INCREASE (DECREASE) IN WORKING CAPITAL	16,107	(7,692)	45,529
WORKING CAPITAL — BEGINNING OF PERIOD	74,053	97,852	52,323
WORKING CAPITAL — END OF PERIOD	90,160	90,160	97,852

NOTES TO FINANCIAL STATEMENTS
For the Six Months Ended December 31, 1973

1. CHANGE IN ACCOUNTING — ADOPTION OF THE EQUITY METHOD

Pursuant to a recommendation issued by the Canadian Institute of Chartered Accountants, the company has adopted the equity method of accounting for its investment in Denison Mines Limited and three other companies, two of which are mining companies in the exploration or initial production stages. Under this method the company includes in its reported earnings its share of net earnings of these companies, whereas previously only the cash dividends received were included.

To implement this accounting change in the most meaningful way, the company has:

(a) adopted the change retroactive to the dates of acquisition of a significant interest in each of the companies concerned,

(b) changed its fiscal year end to December 31 to conform to the year ends of the companies accounted for on an equity basis,

(c) provided herein to the shareholders statements of earnings, retained earnings and source and use of funds for the six months since the last fiscal year end and for the twelve months ended December 31, 1973 with comparative figures for the previous twelve months,

(d) adopted retroactively the general policy of writing off to expense each year the exploration expenditures made in the year, to conform to the policy of the major company accounted for on an equity basis.

The effect of these changes in accounting method has been to increase net earnings for the three periods referred to in (c) above by $450,000, $794,000 and $315,000 respectively ($0.17, $0.30 and $0.12 per share).

The excess cost of the company's investment over its equity in the net assets of the four companies referred to above was $4,699,000 at the dates of acquisition, which amount is considered to be applicable to the mining properties of these companies and is being amortized over twenty-five years, primarily on the basis of production. This charge has been deducted in calculating the share of income determined by the equity method.

2. SHARES IN OTHER COMPANIES HELD FOR INVESTMENT

This balance sheet category comprises:

	December 31, 1973 $	June 30, 1973 $
Shares in companies accounted for by the equity method (quoted market value $58,877,000; June 30, 1973 — $38,520,000)	24,009,770	22,802,056
Shares in other companies, at or below cost (quoted market value of listed shares $286,000; June 30, 1973 — $300,000)	348,501	411,000
	24,358,271	23,213,056

The quoted market values referred to above do not necessarily represent the realizable value of these holdings which may be more or less than that indicated by market quotations.

3. BANK DEMAND LOAN

The bank demand loan in the amount of $7,647,787 is secured by substantially all the shares in other companies held for investment and by the marketable securities. For balance sheet purposes, $350,000 of this loan has been included in current liabilities, being approximately equivalent to the quoted value of marketable securities.

4. INCOME TAXES

The company has a substantial tax loss carry forward which may be available in future years to reduce taxes which might otherwise be payable.

5. STATUTORY INFORMATION

Directors and senior officers, as defined in the Business Corporations Act of Ontario, received direct remuneration of $21,900 in the six month period ($36,700 and $28,600 in the calendar years 1973 and 1972 respectively).

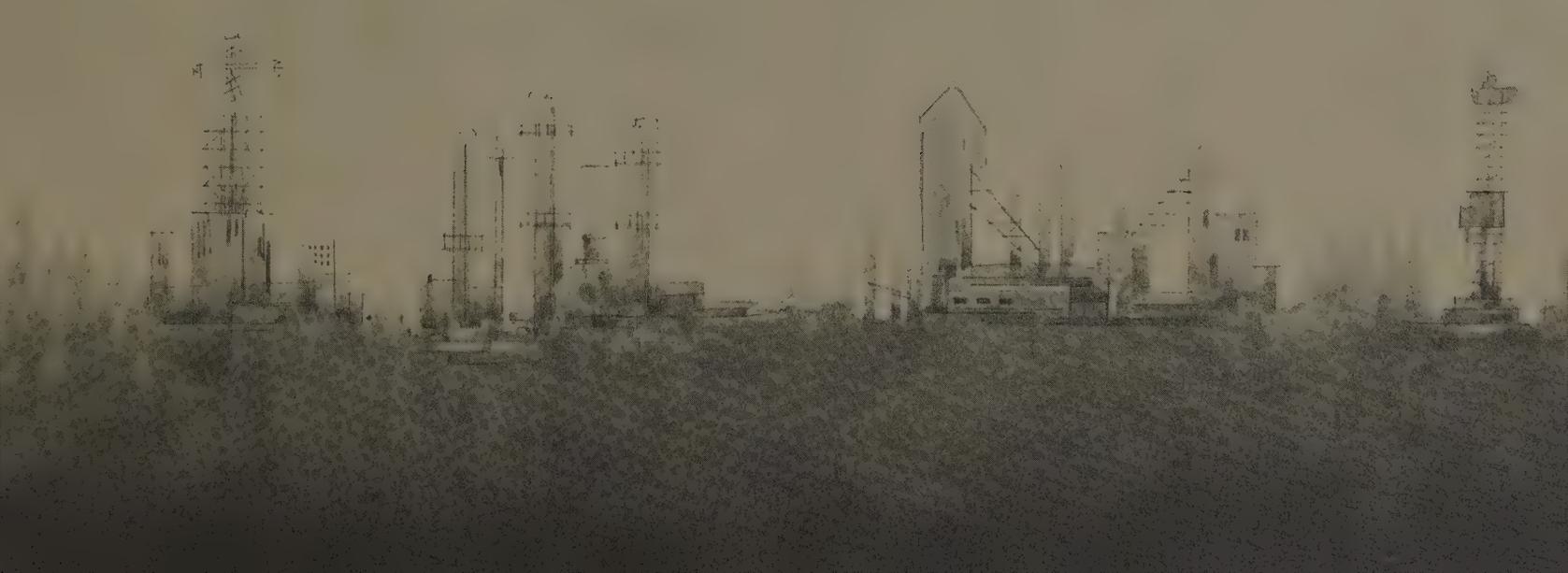
Printed in Canada.

AR10

ROMAN CORPORATION

LIMITED

1973 ANNUAL REPORT



OFFICERS

Stephen B. Roman, LL.D.
Chairman & President

John S. Grant, Q.C.
Vice-President

John C. Puhky
Secretary & Treasurer

DIRECTORS

John S. Grant, Q.C.

Lewis B. Harder

George B. Heenan

John Kostuik, B.Sc.

Harvey J. McFarland, Sr.

A. Hoadley Mitchell, S.B.

Charles D. Parmelee

Joseph A. Patrick

Helen E. Roman, LL.M.

Stephen B. Roman, LL.D.

R. A. Rule

AUDITORS

Coopers & Lybrand
Toronto, Ontario

HEAD OFFICE

4 King Street West
Toronto, Ontario
M5H 1C2

BANKERS

The Royal Bank of Canada
Toronto, Ontario

REGISTRAR & TRANSFER AGENT

Guaranty Trust Company of Canada
Toronto, Ontario

The Officers and Directors of Roman Corporation Limited are pleased to present to the shareholders the Ninth Annual Report for the year ended June 30, 1973.

PRESIDENT'S REPORT

TO THE SHAREHOLDERS:

On behalf of the Board of Directors, I am pleased to report to you on the Company's year ended June 30, 1973.

Earnings for the year were $1,056,035, or 40¢ per share, as compared to a restated 37¢ per share for the previous fiscal year. The improvement in earnings can be attributed to lower interest charges, lower depreciation and reduced administration costs. Not reflected in income is an upward adjustment of some $780,000 to prior years' earnings, as referred to in the notes to the accompanying financial statements.

With the purchase of a further 7,700 shares during the year, we increased our shareholdings in Denison Mines Limited to a total of 1,168,805 shares. Denison maintained its traditional dividend performance. The consolidated net income of Denison for 1972 was $1.81 per share (as against a restated $1.66 for 1971), and for the first half of 1973 was 86¢ per share, slightly higher than last year.

Denison produced almost 4 million pounds of uranium oxide for deliveries to Japanese power companies and to the joint Denison-Uranium Canada, Limited stockpile. In late 1972, uranium oxide sales agreements were signed with Spanish power companies which will effectively dispose of all the uranium oxide to be produced under Denison's stockpiling agreement with the Canadian government. In addition, Denison has contracts to supply 47½ million pounds of uranium oxide during the 1973-1983 period to eight Japanese power companies.

The important role of uranium as the principal fuel for electric power generation is magnified by the existing energy shortage. Authorities in the United States, Canada and elsewhere give high priority to nuclear power expansion. The increasing demands for uranium oxide ensure Denison, with its reserves and production capability, of a profitable and effective contribution to the world's energy needs.

Finally, in this assessment of our Denison holdings, we should observe that company's significant and expanding role as a total energy supplier. In addition to the uranium operations, Denison has an increasingly profitable oil and gas division and is currently developing Western Canadian coal deposits. As well, Denison has

diversified into other industrial and natural resource assets and constitutes a significant force in the Canadian economy.

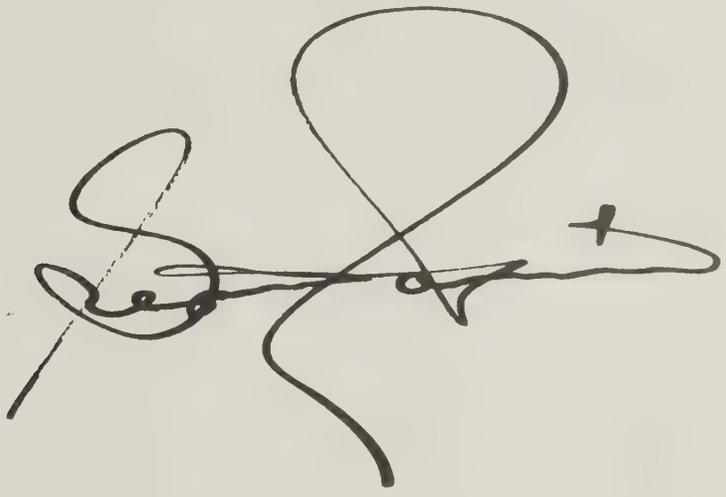
Other interests of your Company include the control share positions in Canadian Malartic Gold Mines and Trinity Chibougamau Mines. Our substantial holdings in Black Hawk Mining Limited have been retained. The Black Hawk mine in the State of Maine, which began operation in late 1972, produced zinc concentrates on a regular basis during the first half of 1973. We are entitled to receive a 5% royalty on metals and minerals which may be recovered from our former leases adjacent to the property.

No exploration ventures were undertaken other than those which were reported in the interim report to shareholders in February. It is hoped that the climate for natural resource prospecting and exploration will improve and we shall certainly participate when appropriate prospects are available to us. The Directors retain a basic interest and concern in this field, at the same time recognizing other opportunities to diversify the Company's activities. We are actively studying means by which the latter can be done.

The appeal to the Supreme Court of Canada in the lawsuit in which the Company was a plaintiff, and which arose out of the proposed 1970 sale of our Denison interest, was dismissed by that Court.

We record and acknowledge gratefully the support and encouragement of our shareholders over the years and we assure you again that we will always direct our efforts toward the growth of the Company within the healthy competition of the free enterprise system which we cherish.

On behalf of the Board of Directors,



STEPHEN B. ROMAN,
Chairman and President.

Toronto, Ontario.
September 21, 1973

ASSETS

	1973	1972 (restated)
	$	$
Current assets		
Cash	12,422	—
Marketable securities — at quoted value	453,113	609,950
Accounts receivable and prepaid expenses	86,079	94,184
Income taxes recoverable (note 1)	11,076	8,875
	562,690	713,009
Shares in other companies held for investment — at cost (quoted market value of listed shares — 1973 — $38,820,558; 1972 — $40,643,494)	21,149,124	20,639,781
Office furnishings and leasehold improvements — at cost, less accumulated depreciation of $432,573 (1972 — $422,612)	35,252	44,768
Other assets		
Mining properties — at cost	1	5,654
Deferred exploration expenditures	77,182	130,163
Deposits with provincial governments	31,478	31,478
Life insurance — cash surrender value	124,705	113,616
	233,366	280,911
	21,980,432	21,678,469

Signed on Behalf of the Board

JOHN S. GRANT, Director

JOSEPH A. PATRICK, Director

AUDITORS' REPORT

We have examined the balance sheet of Roman Corporation Limited as at June
year then ended. Our examination included a general review of the accounting proced
necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of
its funds for the year then ended, in accordance with generally accepted accoun

Toronto, Ontario
September 6, 1973

AT JUNE 30, 1973

LIABILITIES

	1973 $	1972 (restated) $
Current liabilities		
Bank demand loan (note 2)	430,000	575,000
Accounts payable and accrued liabilities	58,637	56,081
	488,637	631,081
Bank demand loan (note 2)	6,783,945	7,395,573

SHAREHOLDERS' EQUITY

Capital stock		
Authorized —		
5,000,000 shares without par value		
Issued —		
2,613,000 shares	3,806,777	3,806,777
Contributed surplus	280,598	280,598
Retained earnings	10,620,475	9,564,440
	14,707,850	13,651,815
	21,980,432	21,678,469

E SHAREHOLDERS

and the statements of earnings, retained earnings and source and use of funds for the such tests of accounting records and other supporting evidence as we considered

any as at June 30, 1973 and the results of its operations and the source and use of iples applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants

STATEMENT OF RETAINED EARNINGS
For the Year Ended June 30, 1973

	1973	1972 (restated)
	$	$
Balance — beginning of year		
As previously reported	8,784,658	7,845,545
Adjustments of prior years' earnings — Income taxes under appeal and interest thereon	779,782	741,496
As restated	9,564,440	8,587,041
Net earnings for the year	1,056,035	977,399
Balance — end of year	10,620,475	9,564,440

STATEMENT OF EARNINGS
For the Year Ended June 30, 1973

	1973	1972 (restated)
	$	$
Income		
Dividends	1,634,634	1,627,832
Gain from security transactions	—	47,283
Services and rent	249,394	221,714
	1,884,028	1,896,829
Operating expenses		
Directors' and senior officers' remuneration as defined by the Business Corporations Act (Ontario)	29,950	27,683
Exploration expenditures written off	65,130	82,902
Interest	496,354	523,164
Office rent and administration	197,457	259,338
Depreciation	9,961	26,343
Loss from security transactions	29,141	—
	827,993	919,430
Net earnings for the year	1,056,035	977,399
Net earnings per share	$ 0.40	$ 0.37

STATEMENT OF SOURCE AND USE OF FUNDS
For the Year Ended June 30, 1973

	1973	1972 (restated)
	$	$
Source of funds		
Current operations —		
Net earnings for the year	1,056,035	977,399
Depreciation	9,961	26,343
Exploration expenditures written off	59,481	76,922
Mining properties abandoned	5,653	633
Reduction in deposits	—	43,750
	1,131,130	1,125,047
Use of funds		
Exploration expenditures	6,500	20,716
Purchase of shares for investment	509,343	320,291
Additions to fixed assets — net	445	2,182
Reduction of bank demand loan	611,628	759,024
Acquisition of other assets	11,089	9,497
	1,139,005	1,111,710
Increase (decrease) in working capital	(7,875)	13,337
Working capital — beginning of year	81,928	68,591
Working capital — end of year	74,053	81,928

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 1973

1. Income taxes

The appeal by the Minister of National Revenue made to the Federal Court — Trial Division against the decision of the tax review board dated March 8, 1972 which related to the reassessments with respect to the taxation years 1963, 1964 and 1965 has been discontinued. The company's objection to the reassessment for the taxation year 1966 has also been allowed by the Minister of National Revenue. The effects of the foregoing have been reported as an upward adjustment of prior periods' earnings in the amount of approximately $780,000.

On August 30, 1973 the company received reassessments of its 1968 and 1969 taxation years which resolved in the company's favour the previously outstanding notice of objection.

The company has a substantial tax loss carry forward which may be available in future years to reduce taxes otherwise payable.

2. Bank demand loan

The bank demand loan in the amount of $7,213,945 is secured by substantially all the shares in other companies held for investment and by the marketable securities. For balance sheet purposes, $430,000 of this loan has been included in current liabilities, being approximately equivalent to the quoted value of marketable securities.

Printed in Canada.